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February 1, 2008

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Attorney at Law
Office of Breathitt County Attorney
1149 Main Street
Jackson, KY 41339

CERTIFICATE OF SERVICE

RE: Case No. 2007-00497
Breathitt County Water District

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on February 1, 2008.

Executive Director

BOD/rs
Enclosure



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February 1, 2008

John L. Smith
Breathitt County Water District
1137 Main Street
Suite 305
Jackson, KY 41339

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE BREATHITT COUNTY)	
WATER DISTRICT OF BREATHITT COUNTY,)	CASE NO.
KENTUCKY FOR A CERTIFICATE OF PUBLIC)	2007-00497
CONVENIENCE AND NECESSITY TO)	
CONSTRUCT A WATERWORKS PROJECT)	

ORDER

On December 3, 2007, Breathitt County Water District ("Breathitt District") tendered its application for a Certificate of Public Convenience and Necessity to construct a water improvements project in Breathitt County, Kentucky. Because of filing deficiencies, the Commission did not accept this application for filing until December 27, 2007.

Noting that the proposed project will be financed in part with funds from a United States Department of Housing and Urban Development Community Development Block Grant ("CDBG"), Breathitt District filed its application pursuant to KRS 278.023. As KRS 278.023 applies only to construction projects financed in whole or in part under the terms of an agreement between a water district and the United States Department of Housing and Urban Development, and the proposed construction is not financed under the terms of such agreement, the Commission has reviewed this application pursuant to KRS 278.020.

Having considered the application and being otherwise sufficiently advised, the Commission finds that:

1. Breathitt District, a water district organized under KRS Chapter 74, provides retail water service to Breathitt County, Kentucky.

2. Breathitt District proposes to construct approximately 32,709 linear feet of 8-inch polyvinylchloride ("PVC") water main; 18,910 linear feet of 6-inch PVC water main; 10,038 linear feet of 4-inch PVC water main; 1,603 linear feet of 2-inch PVC water main; 1,240 linear feet of 8-inch Ductile Iron water line; 1 pump station; a 48,000-gallon ground water storage tank; and a 105,000-gallon ground water storage tank.¹

3. Breathitt District proposes to connect an 8-inch water distribution main to an existing 8-inch water distribution main that belongs to Jackson Municipal Water Works.² The proposed water distribution main will extend south along Kentucky Highway 15 and run south along Kentucky Highway 1278. Smaller water distribution mains will branch off from these proposed water distribution mains and run along McIntosh Fork, Right Fork, Little Leatherwood, and other minor roads.³

4. The proposed project is estimated to serve approximately 218 residential customers, a volunteer fire department, and various small businesses and churches.⁴ These persons currently receive water service through domestic water haulers, springs, and wells.⁵

5. No public or municipal utility currently provides water service to the area the proposed construction project will serve.

6. The proposed project will not compete with any other water utility in the area.

¹ Letter from Donna S. Marlin, Manager, Drinking Water Branch, Division of Water, to John Lester Smith, Chairman, Breathitt County Water District (July 31, 2007).

² Nesbitt Engineering, Inc., Breathitt County Water District: KY 15 South Waters Waterline Extension (November 2007) at Figure 2.

³ Id. at 1.

⁴ Id. at 3.

⁵ Id.

7. Nesbitt Engineering, Inc. of Lexington, Kentucky, prepared the plans and specifications for the proposed construction.

8. The Division of Water has approved the plans and specifications for the proposed construction.

9. Construction of the proposed project will not result in the wasteful duplication of existing facilities nor result in uneconomic or wasteful competition between public utilities.

10. The total construction cost is approximately \$2,261,000.

11. Breathitt District proposes to finance the construction project with a CDBG of \$1,000,000;⁶ a 24-month Bond Anticipation Note ("BAN") through the Kentucky Area Development District Program of \$1,261,000.⁷

12. Because the proposed BAN is for a 2-year term, Breathitt District is not required to obtain prior Commission authorization.⁸ Should Breathitt District issue evidences of indebtedness for a term that exceeds 2 years, it must obtain Commission authorization prior to such issuance.

13. The public convenience and necessity require the construction of the proposed project.

IT IS THEREFORE ORDERED that:

1. Breathitt District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in its application.

⁶ Id. at Table A-2.

⁷ Letter from Ryan Barrow, Financial Advisor, to Bryan Kirby, Community & Economic Development Associates (August 3, 2007).

⁸ See KRS 278.300(8).

2. Breathitt District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. Breathitt District shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs, including, but not limited to, engineering, legal, and administrative expenses, within 60 days of the date construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

5. Breathitt District shall file with the Commission a copy of the "as-built" drawings and a certified statement the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

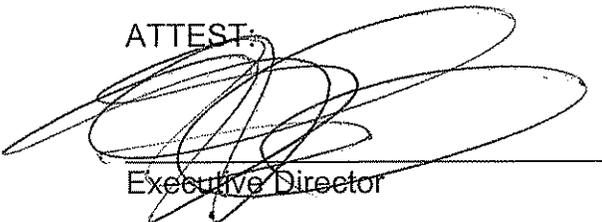
6. Breathitt District shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is completed in accordance with the contract drawings and specifications, and in conformance with the best practices of the construction trades involved in the project.

7. Breathitt District shall notify the Commission 7 days prior to the actual start of construction and at the 50 percent completion point.

Done at Frankfort, Kentucky, this 1st day of February, 2008.

By the Commission

ATTEST:



Executive Director

Case No. 2007-00497